

ELLIS:LAWHORNE

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December 7, 2010

VIA ELECTRONIC AND FIRST CLASS MAIL SERVICE

The Honorable Jocelyn G. Boyd
Chief Clerk and Administrator
South Carolina Public Service Commission
Post Office Drawer 11649
Columbia, South Carolina 29211

RE: Docket No. 2007-414-WS: Performance Bonds

Dear Ms. Boyd:

I am writing on behalf of the Haig Point Club and Community Association ("HPCCA"), a party of record in this docket, in response to the November 24, 2010 letter from Duncan Teed on behalf of CK Materials, LLC ("CK") and Daufuskie Island Utility Company ("DIUC"), formerly Haig Point Utility Company ("HPUC").

It appears from the November 2, 2010 Notice of Cancellation filed by Merchants Bonding Company and Mr. Teed's letter that the two \$350,000 bonds currently guaranteeing water and sewer service to HPCCA and its members will be cancelled on December 31, 2010. According to Mr. Teed's letter, CK and DIUC have not yet secured new bonds to go into effect upon this cancellation.

As you know, on June 24, 2008, through Order No. 2008-448, the Commission ordered into law a settlement agreement governing the future operations of CK and DIUC. This agreement is embodied in an April 23, 2008 letter agreement between the parties, which the Commission approved through Order No. 2008-448. I have attached a copy of the letter agreement hereto as Exhibit 1.

Order No. 2008-448 established, among other things, that DIUC must satisfy its future bonding requirements by maintaining performance bonds in the amount of \$350,000 for water service and \$350,000 for sewer service "with a commercial bonding and/or insurance entity possessing an A.M. Best Financial Strength Rating (or its equivalent) of A- or better."

and,

"that in no event shall [CK] or HPUC [now DIUC] ever attempt to satisfy its bonding requirements through a personal or individual surety bond, or any other form of guaranty other than as set forth [above]."

HPCCA is grateful for the Commission's recent efforts to ensure that no lapse in the required bonds occurs. We are naturally very concerned that, even though the existing bonds will expire in three weeks, DIUC has not yet arranged for them to be replaced. We take this opportunity to

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remind the Commission, the Office of Regulatory Staff, and the utility that, in replacing the current bonds, CK and DIUC must meet the additional bonding requirements that exist for this utility.

With kind regards, I am

Yours truly,



John F. Beach

JFB/cr

cc: Charles A. Scarminach, Esquire (via electronic and first class mail service)
Ms. Dawn Hipp (via electronic and first class mail service)
Ms. Nanette Edwards (via electronic and first class mail service)
Mr. Willie Morgan (via electronic and first class mail service)
Mr. Randy Page (via electronic and first class mail service)

Exhibit 1

John F. Beach
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April 23, 2008

VIA ELECTRONIC AND FIRST-CLASS MAIL SERVICE

Peter J. Strauss, Esquire
Novit & Scarminach, P.A.
The Jade Building, Suite 400
52 New Orleans Road
P.O. Drawer 14
Hilton Head Island, SC 29938

RE: Joint Application of Haig Point Utility Company, Inc. and CK Materials, LLC for Approval of the Sale, Transfer of Stock, Assets and Operating Authority of Haig Point Utility Company, Inc.
Docket No. 2007-414-W/S, ELS File No. 1030-11565

Dear Peter:

I am writing on behalf of Haig Point Club and Community Association, Inc. ("HPCCA") to set forth the final Agreement that HPCCA and CK Materials, LLC have reached in settlement of all of HPCCA's concerns in this matter.

1. Performance Bonds:

CK Materials agrees that it will maintain and keep on file with the Commission two \$350,000 performance bonds: one for water and one for sewer. CK Materials agrees that these performance bonds will always be maintained with a commercial bonding and/or insurance entity possessing an A.M. Best Financial Strength Rating (or its equivalent) of A- or better.

CK Materials acknowledges that the current bond amounts are the maximum amount required by the Commission at this time. Should the Commission increase the maximum bond amount at any time, CK Materials agrees to increase both the water and sewer bond CK Materials and/or HPUC have in place to that new maximum amount.

CK Materials agrees that in no event shall it or HPUC ever attempt to satisfy its bonding requirements through a personal or individual surety bond, or any other form of guaranty other than as set forth in the two immediately preceding paragraphs.

2. Letter of Credit:

International Paper Company shall keep in effect the JPMorgan Letter of Credit issued November 7, 2003 in the amount of \$450,000 to Haig Point Club and Community Association,

JK

Inc. (the "LOC") for the time period of one (1) year from the date it closes the purchase transaction, or the date the Public Service Commission approves this transfer, whichever is later.

3. Water Availability:

a. CK Materials agrees that HPUC shall provide safe and adequate water to current and future members of the HPCCA through "Build-Out". CK Materials commits that HPUC will provide HPCCA and its members the total water volume "at Build-Out" in an amount per residential and commercial customer as determined to be adequate by South Carolina Department of Health and Environmental Control ("DHEC").

b. CK Materials agrees that neither it nor HPUC will provide water to any new or additional customers outside of the HPCCA members and HPUC's current customers unless it first 1) at least ninety (90) days before seeking regulatory approval to provide such additional service, provides written notice of its intention to provide such additional service, including the details and scope of such additional service, to the Chairman of the HPCCA Board of Directors and 2) receives permission from DHEC to extend service to the new customers, as determined by DHEC. In the event that HPUC, after a diligent effort, is unable to obtain DHEC approval for such expansion, HPUC may request HPCCA's written agreement to deviate from this requirement, and HPCCA shall not unreasonably withhold such written agreement.

c. CK Materials agrees that, upon Commission approval of the Transfer, it will immediately inform DHEC - through a formal filing - of the contractual and regulatory commitment to reserve water volume as set forth above. CK Materials and HPCCA agree that DHEC shall have the independent right to enforce this contractual and regulatory commitment.

d. CK Materials represents and warrants that, in the event DHEC should determine at any time that additional storage capacity is necessary, ~~CK Materials will~~ ^{HPUC will} construct such additional storage capacity as is necessary in order to satisfy all applicable regulatory needs.

4. Sewer Availability:

a. CK Materials agrees that HPUC shall provide safe and adequate sewer treatment service to current and future members of the HPCCA through "Build-Out".

5. Ownership of CK Materials

CK Materials represents and warrants that HPUC will be owned by CK Materials, LLC, CK Materials will provide to HPCCA's attorney an Operating Agreement for CK Materials, LLC.

JK

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6. Management of HPUC after Transfer:

Guastella Associates, Inc. will be managing HPUC day-to-day. Management will include helping to make strategic decisions on permitting, system management, maintenance, and upgrades.

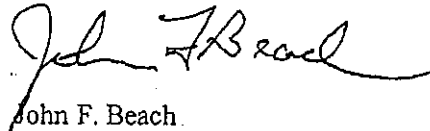
7. Haig Point Trademark:

CK Materials agrees that, upon the Commission's approval of this Transfer, it will, in a timely fashion, change the name of HPUC to a name that does not contain the words "Haig Point" and change its logo to something other than the Haig Point lighthouse.

8. Approval of Settlement by Public Service Commission:

Upon CK Materials' agreement to the matters set forth herein, and International Paper Company's agreement to the applicable matters set forth under the heading "Letter of Credit," HPCCA and CK Materials will present testimony at the hearing in this docket, currently scheduled for April 27 at 10:30 AM, requesting approval of the Agreement, and noting that HPCCA does not oppose the subject transfer.

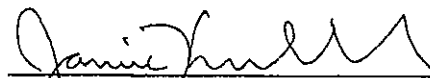
Sincerely,



John F. Beach

cc: Mr. Mark Nordman
Elaine Fowler, Esquire

On behalf of the CK Materials, LLC, I hereby agree to all matters set forth herein, and also that all such matters shall bind HPUC going forward, following the Public Service Commission's approval of the subject Transfer of HPUC to CK Materials, LLC.



Janice F. Hull
CK Materials, LLC